

HOW FARMERS DECIDE

ON

FARM ENTERPRISES

GUIDELINES AND RESOURCE MATERIALS
FOR EDUCATIONAL MEETINGS

BY

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FIRST

What is adapted to the farm on the basis of relative profits to be expected from different enterprises?

Depends primarily on --

- CLIMATE
- SOIL
- TOPOGRAPHY
- MARKETS

SECOND

COMBINE THE ADAPTED ENTERPRISES INTO
A GOOD BUSINESS CONSIDERING . . .

1. Labor Distribution
2. Amount of Various Kinds of Land
3. The Use of Farm By-Products
4. Maintenance of Soil Productivity
5. Efficient Use of Buildings and Equipment
6. Risk
7. Distribution of Income
8. Capital Available
9. Type of Farming of Your Neighbors
10. Personal Preference
11. Others

ADAPTATION TO CONDITIONS!!!!

NO GENERAL RULES!!!

WHAT HAVE FARMERS DECIDED?

Enterprises Selected

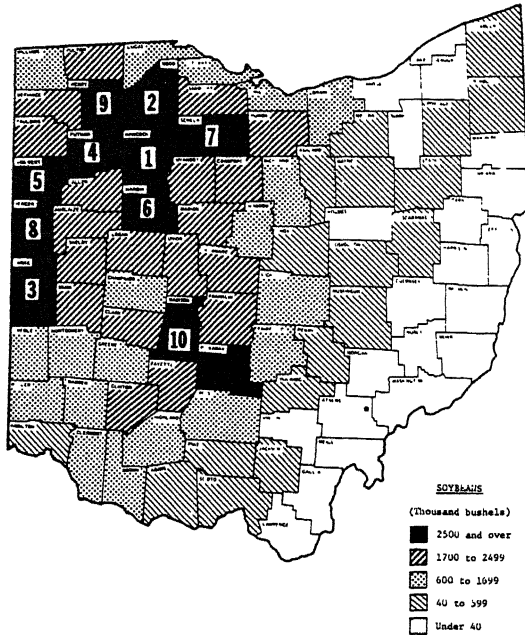
U.S.

OHIO

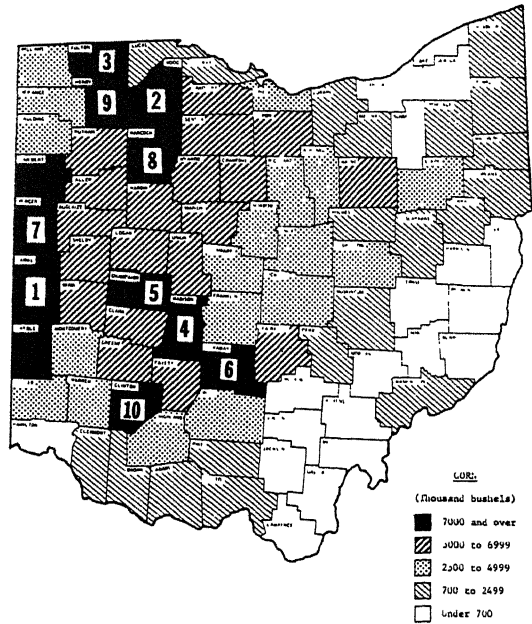
DISTRIBUTION OF GRAIN PRODUCTION BY COUNTY, 1975

RANK OF FIRST TEN COUNTIES

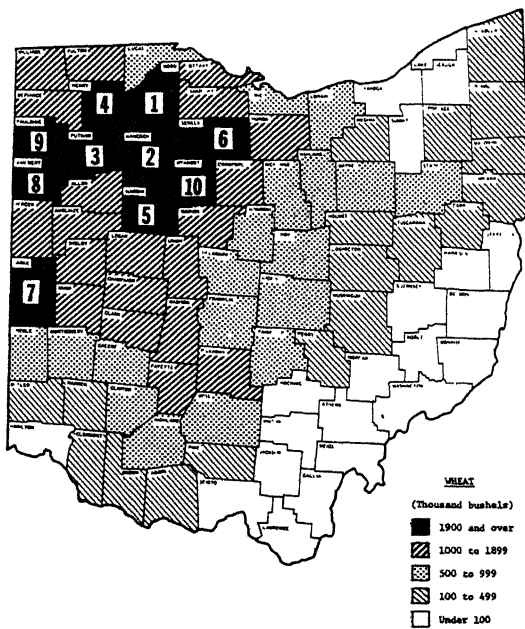
SOYBEANS



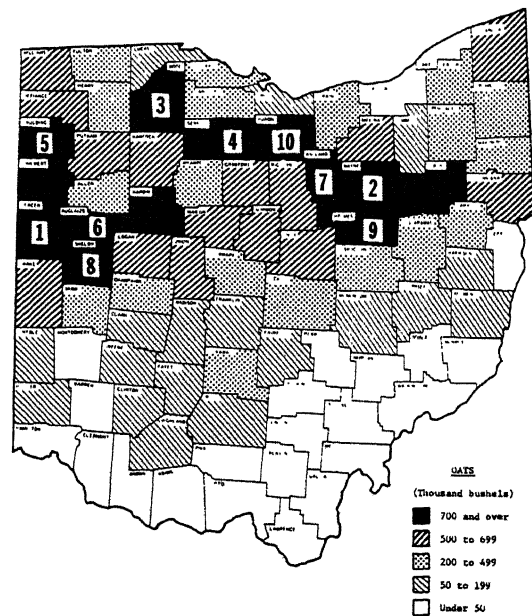
CORN



WHEAT



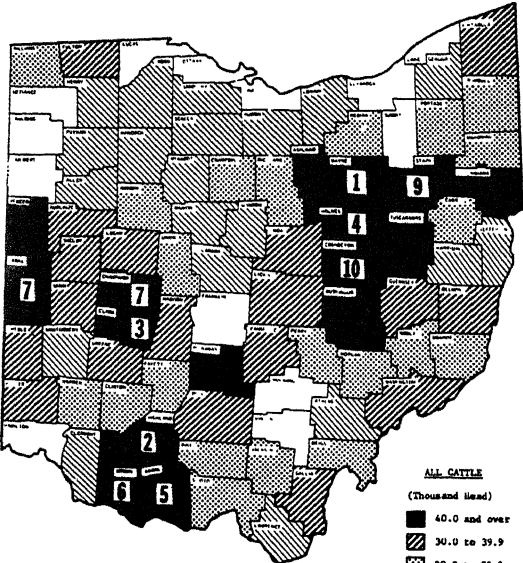
OATS



LIVESTOCK NUMBERS, JANUARY 1, 1976

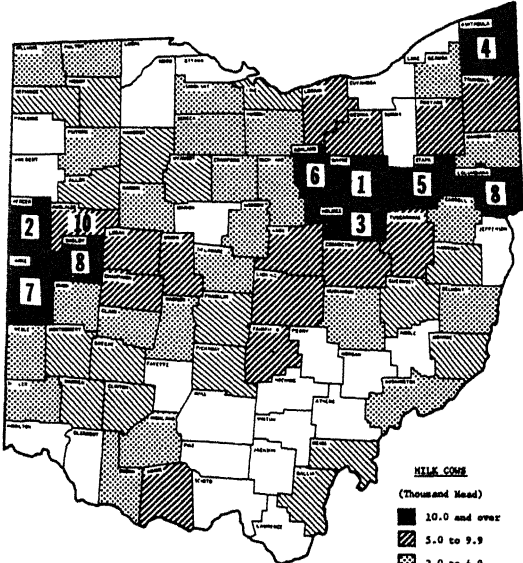
RANK OF FIRST TEN COUNTIES

ALL CATTLE



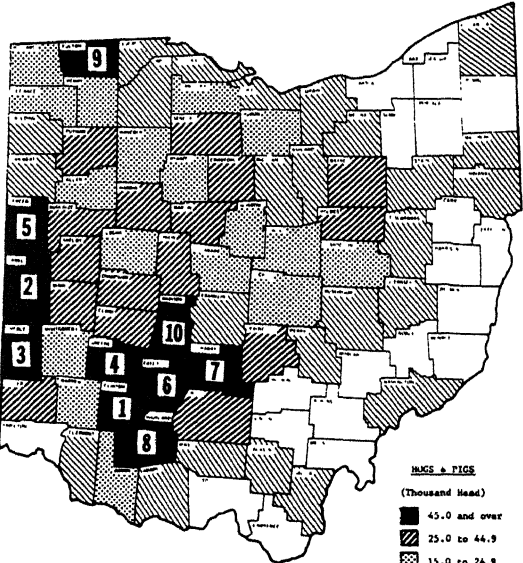
Champaign and Lucas tied for 7th place

MILK COWS



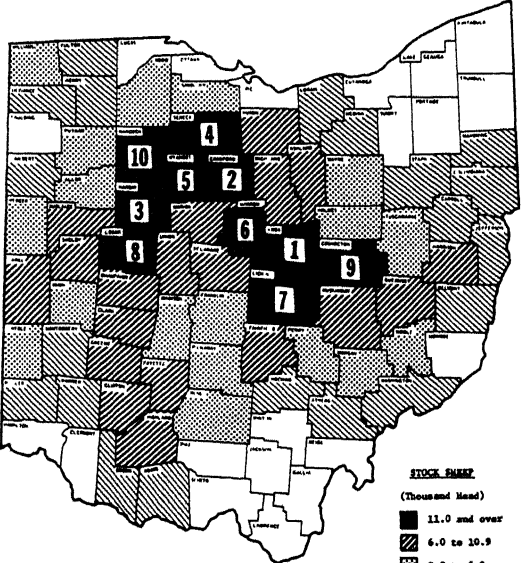
Columbiana and Shelby tied for 8th place

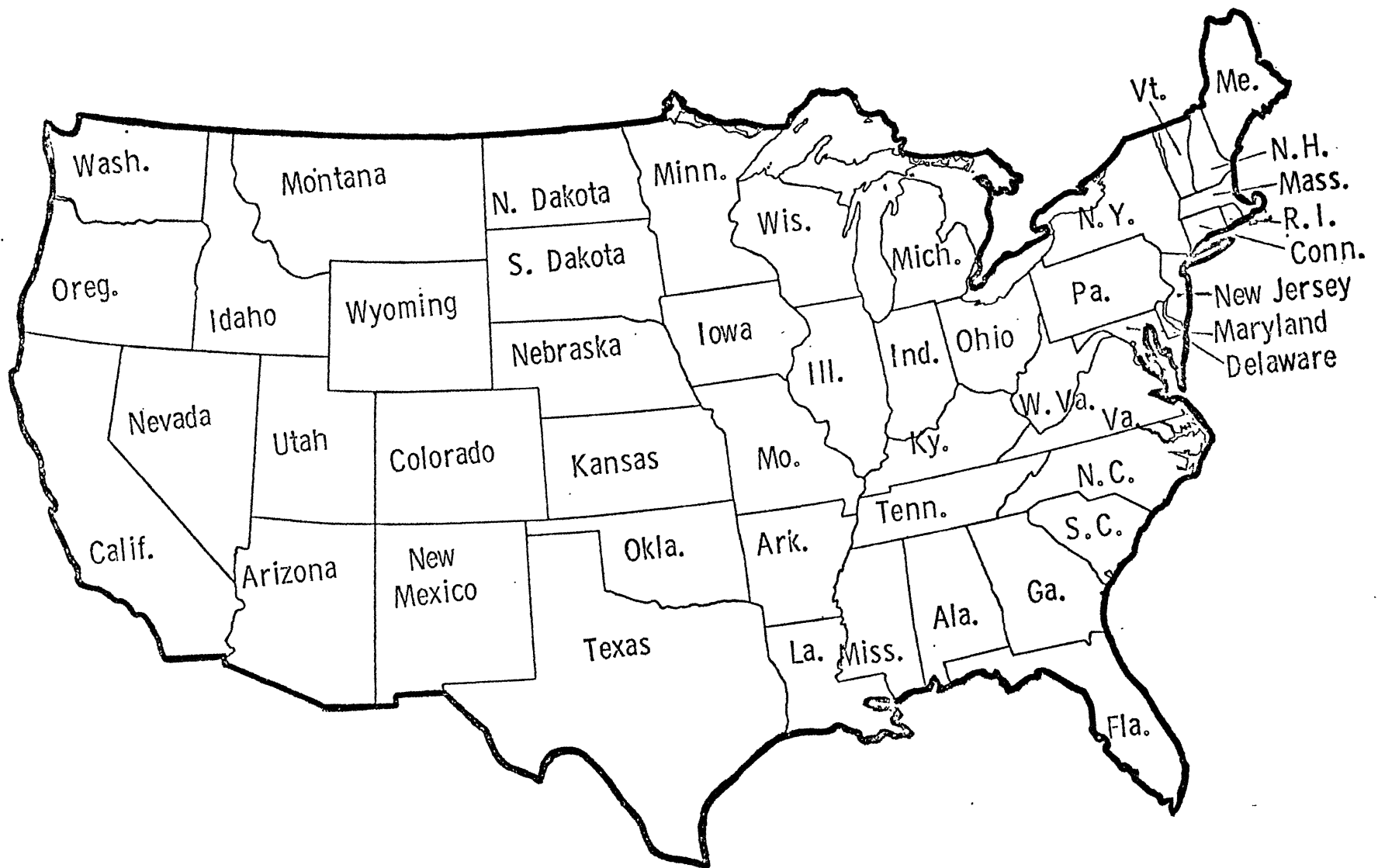
HOGS & PIGS ^{1/}



^{1/} Hogs and Pigs as of December 1, 1975

STOCK SHEEP





HOG ENTERPRISE REQUIREMENTS

	<u>RISK</u>	<u>MANAGEMENT</u>	<u>LABOR</u>	<u>CAPITAL</u> <u>OPER.</u>	<u>INV.</u>
FAR-FIN	LOW	MED	MED	MED	MED
SELL FEEDERS	MED	HIGH	HIGH	LOW	LOW
BUY FEEDERS	HIGH	HIGH	LOW	HIGH	HIGH

CAPITAL TO EMPLOY 1 MAN

FAR-FIN	\$120,000	(100 SOWS)
SELL FEEDERS	\$117,000	(155 SOWS)
BUY FEEDERS	\$144,000	(3600 HOGS)
CORN	\$1,500,000	(600 ACRES)

COMMON ERROR -- OVEREMPHASIZE ONE FACTOR AT THE EXPENSE
OF ANOTHER

- OVEREMPHASIZE RISK
- OVEREMPHASIZE MAINTENANCE OF PRODUCTIVITY
- OVEREMPHASIZE LABOR DISTRIBUTION, etc. , etc.
- OVEREMPHASIZE CAPITAL REQUIREMENTS
- OVEREMPHASIZE PERSONAL REQUIREMENTS

FACTORS DO NOT OPERATE INDEPENDENTLY

BEST LABOR DISTRIBUTION

ALL HIGH PROFIT ENTERPRISES

SELDOM

CHEAPEST PRODUCTIVITY MAINTENANCE

STRIKE THE BEST BALANCE!

BEST COMBINATION - DEPENDS ON ALL FACTORS

- CHANGES WITH CONDITIONS

USE WHAT NATURE HAS GIVEN TO BEST ADVANTAGE

DON'T MAKE GENERAL RULES

"ALL FARMERS SHOULD"

HOW SELECT ENTERPRISES

SET GOALS - PERSONAL
- PROFIT

RESOURCES - LAND
- LABOR
- CAPITAL
- MANAGEMENT

ENTERPRISES - IMPOSSIBLE
- POSSIBLE BUT NO PROFIT
- WELL ADAPTED BUT LITTLE PROFIT
- WELL ADAPTED AND PROFITABLE

ENTERPRISE REQUIREMENTS

USE MOST LIMITING RESOURCE FOR MOST PROFITABLE ENTERPRISE

USE RESIDUAL RESOURCES IN NEXT MOST PROFITABLE CROP

ENTERPRISE ADJUSTMENT

CHOICE OF ENTERPRISES IS COMPLEX PROBLEM

ADJUSTING TO KEEP UP-TO-DATE MORE COMPLEX

1. Improvements and New Development In Transportation, Storage, Processing, Handling
2. Opening New Production Areas
3. Changes In Demand
4. Changes In Relative Costs of Items In the Cost of Production
5. Improved Production Methods
6. Invention of Expensive Labor-Saving Machinery
- 7.. Introduction of New Strains and Varieties
- 8 .. Disease and Insects
9. Introduction of Factory Methods to Do Jobs Formerly Done in Home and On the Farm

EASY -- LIST CAUSE OF CHANGE

-- OBSERVING EFFECT OF CHANGE

DIFFICULT -- PROPERLY INTERPRET CHANGES IN UNDERLYING
CONDITIONS AS THEY OCCUR

-- CHANGES IN CONDITIONS OCCUR SLOWLY AND
CAN BE OVERSHADOWED BY PRICES AND WEATHER

GOOD TEST OF MANAGER

MAKE ENTERPRISE CHANGE BECAUSE OF CHANGING CONDITIONS

A SPECIFIC QUESTION OF INTEREST

WHY WITH NEIGHBORING FARMS DO SOME

SPECIALIZE IN CORN

SPECIALIZE IN HOGS

DIVERSIFY WITH CORN AND HOGS

TRADITIONALLY CORN AND HOGS

- REDUCE RISK
- UTILIZE EXCESS LABOR
- BETTER RETURN TO CORN

RECENTLY SPECIALIZATION

- MANAGEMENT ABILITY
- PERSONAL PREFERENCE
- GROWTH REQUIREMENTS
 - COST REDUCTION
 - TAKE ADVANTAGE OF TECHNOLOGY
 - VOLUME
- GROWTH ALTERNATIVES

FUTURE (NEXT TEN YEARS)

- MOST WILL BE DIVERSIFIED
- MORE SPECIALIZATION
- LARGER UNITS

WHICH COMBINATION OF ENTERPRISES?

- I. GOALS
 - PERSONAL
 - PROFIT

II. WHICH ENTERPRISES

- PHYSICAL FACTORS
 - SOIL
 - CLIMATE
 - TOPOGRAPHY
 - MARKETS
- ECONOMIC FACTORS
 - COMMODITY PRICES
 - VARIABLE COSTS
 - RESOURCES AVAILABLE
 - RESOURCE REQUIREMENTS

III. PRODUCTION RESTRICTIONS

LIMITATIONS TO PRODUCTION

- PHYSICAL
- SUBJECTIVE
- EXTERNAL

IV. CONTRIBUTION TO PROFIT

NET PRICE

- VARIABLE COST

PROFIT

V. SELECTING ALTERNATIVES

- COMPARE RELEVANT ENTERPRISES
- SELECT THOSE MAKING BEST USE OF MOST LIMITED RESOURCE
- RETURNS IF PRODUCE ONLY ONE ENTERPRISE
(DO FOR EACH)
- HIGHEST TOTAL RETURN BECOMES MAJOR ENTERPRISE
- UTILIZE RESIDUAL RESOURCES IN OTHER ENTERPRISES
(GIVE UP SOME OF MAJOR)